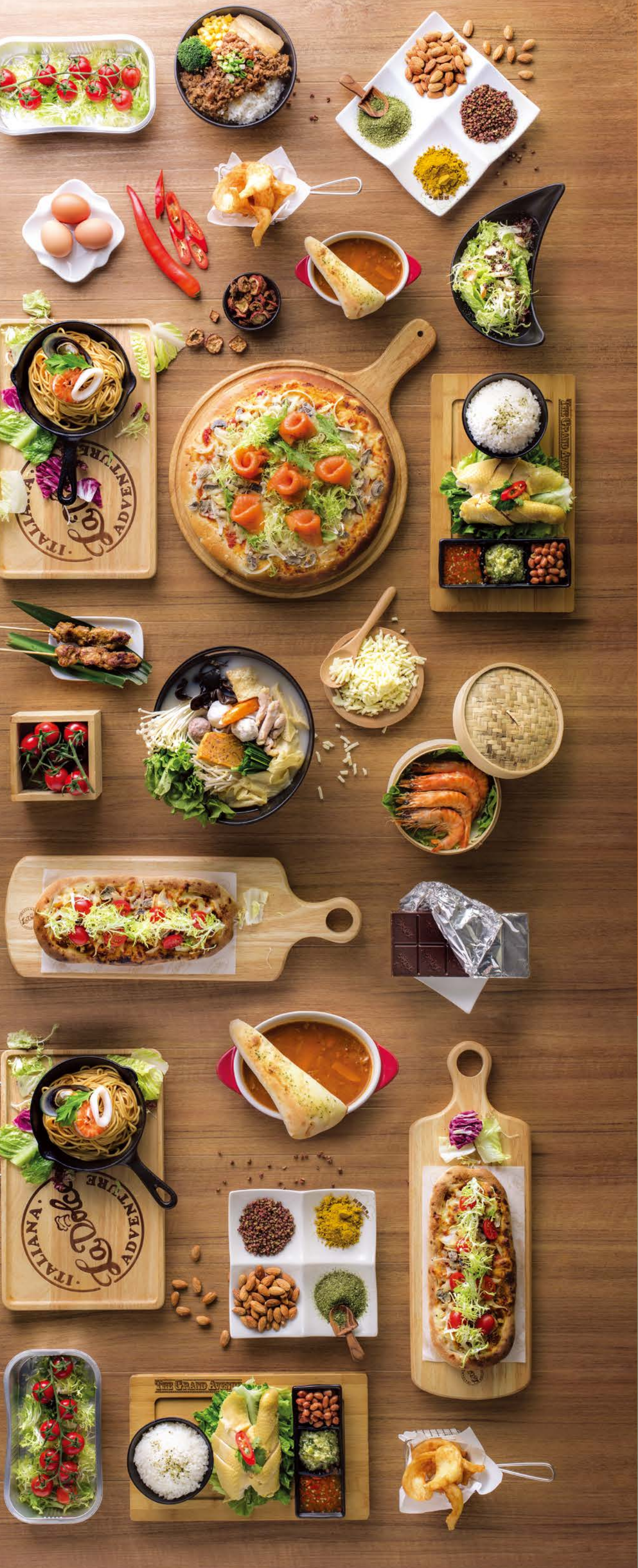

倩碧控股有限公司
Simplicity Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code：8367

Interim Report 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the "**Directors**") of Simplicity Holding Limited (the "**Company**" and together with its subsidiaries, the "**Group**" or "**We**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

CONTENTS

CORPORATE INFORMATION

Board of Directors	*Executive Directors* Ms. Wong Suet Hing *(Chairlady)* Ms. Wong Sau Ting Peony Mr. Wong Muk Fai Woody Mr. Ma Sui Hong Mr. Wong Chi Chiu Henry *Independent non-executive Directors* Ms. Ng Yau Kuen Carmen Mrs. Cheung Lau Lai Yin Becky Mr. Yu Ronald Patrick Lup Man
Compliance Officer	Mr. Wong Chi Chiu Henry
Authorised Representatives	Ms. Wong Sau Ting Peony Mr. Wong Chi Chiu Henry
Company Secretary	Mr. Wong Chi Chiu Henry
Audit Committee	Ms. Ng Yau Kuen Carmen *(Chairlady)* Mrs. Cheung Lau Lai Yin Becky Mr. Yu Ronald Patrick Lup Man
Remuneration Committee	Mrs. Cheung Lau Lai Yin Becky *(Chairlady)* Ms. Ng Yau Kuen Carmen Mr. Yu Ronald Patrick Lup Man Ms. Wong Suet Hing Ms. Wong Sau Ting Peony
Nomination Committee	Mr. Yu Ronald Patrick Lup Man *(Chairman)* Ms. Ng Yau Kuen Carmen Mrs. Cheung Lau Lai Yin Becky Ms. Wong Suet Hing Ms. Wong Sau Ting Peony
Auditor	Deloitte Touche Tohmatsu Certified Public Accountants 35/F, One Pacific Place 88 Queensway Hong Kong

Compliance Adviser	Vinco Capital Limited Units 4909-4910, 49/F The Center 99 Queen's Road Central Hong Kong
Principal Bankers	Shanghai Commercial Bank Limited Shanghai Commercial Bank Tower 12 Queen's Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit 13, 8/F Vanta Industrial Centre 21-33 Tai Lin Pai Road Kwai Chung, New Territories Hong Kong
Principal Share Registrar and Transfer Office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar and Transfer Office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Company Website	www.simplicityholding.com
GEM Stock Code	08367

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2018

		Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2018	2017	**2018**	2017
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	*5*	**38,289**	35,629	**73,163**	71,695
Other Income	*6*	**150**	179	**268**	355
Raw materials and consumables used		**(11,028)**	(9,589)	**(20,785)**	(19,317)
Staff costs		**(15,134)**	(11,650)	**(28,441)**	(24,074)
Depreciation		**(2,230)**	(1,800)	**(4,182)**	(3,614)
Rental and related expenses		**(7,146)**	(5,736)	**(13,517)**	(11,444)
Utilities expenses		**(2,014)**	(1,986)	**(3,779)**	(3,905)
Listing expenses		**–**	(3,207)	**–**	(7,572)
Other expenses		**(3,188)**	(1,341)	**(5,879)**	(3,459)
Finance costs	*7*	**(121)**	(93)	**(219)**	(157)
(Loss) profit before tax	*8*	**(2,422)**	406	**(3,371)**	(1,492)
Income tax expense	*9*	**(401)**	(465)	**(803)**	(786)
Loss and total comprehensive expense for the period		**(2,823)**	(59)	**(4,174)**	(2,278)
(Loss) profit and total comprehensive (expense) income for the period attributable to:					
– owners of the Company		**(2,961)**	(520)	**(4,397)**	(3,037)
– non-controlling interests		**138**	461	**223**	759
		(2,823)	(59)	**(4,174)**	(2,278)
Loss per share					
Basic *(HK cents)*	*11*	**(0.37)**	(0.09)	**(0.55)**	(0.53)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2018

	Notes	**Unaudited 30 September 2018 *HK$'000***	Audited 31 March 2018 *HK$'000*
Non-Current Assets			
Property, plant and equipment	*12*	**60,095**	51,256
Intangible asset	*13*	**280**	314
Deferred tax assets		**1,238**	1,055
Deposits	*14*	**7,127**	4,938
		68,740	57,563
Current Assets			
Inventories		**1,024**	1,139
Trade and other receivables, deposits and prepayments	*14*	**7,315**	6,663
Amount due from related parties		**–**	1,100
Tax recoverable		**790**	950
Bank balances and cash		**34,028**	49,225
		43,157	59,077
Current Liabilities			
Trade and other payables and accruals	*15*	**13,880**	14,156
Tax payable		**1,089**	1,663
Provisions		**650**	650
		15,619	16,469
Net current assets		**27,538**	42,608
Total assets less current liabilities		**96,278**	100,171

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2018

	Notes	**Unaudited 30 September 2018 HK$'000**	Audited 31 March 2018 HK$'000
Non-current liabilities			
Provisions		**1,742**	1,130
Deferred tax liabilities		**752**	470
Bank borrowings	*16*	**15,000**	15,000
		17,494	16,600
Net assets		**78,784**	83,571
Capital and reserves			
Share Capital	*17*	**8,000**	8,000
Reserves		**69,845**	74,622
Equity attributable to owners of the Company		**77,845**	82,622
Non-controlling interests		**939**	949
Total equity		**78,784**	83,571

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 SEPTEMBER 2018

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Accumulated profits	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2017 (Audited)	8	3,000	24,819	13,605	41,432	2,161	43,593
(Loss) profit and total comprehensive (expense) income for the period	–	–	–	(3,037)	(3,037)	759	(2,278)
Issue of shares of the Company	–	5,000	–	–	5,000	–	5,000
As at 30 September 2017 (Unaudited)	8	8,000	24,819	10,568	43,395	2,920	46,315
As at 31 March 2018 (Audited)	8,000	81,662	(8,482)	1,442	82,622	949	83,571
(Loss) profit and total comprehensive (expense) income for the period	–	–	–	(4,397)	(4,397)	223	(4,174)
Acquisition of additional interest of a subsidiary	–	–	(68)	–	(68)	(233)	(301)
Acquisition of interest of a subsidiary	–	–	(312)	–	(312)	–	(312)
As at 30 September 2018 (Unaudited)	8,000	81,662	(8,862)	(2,955)	77,845	939	78,784

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 30 SEPTEMBER 2018

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(5,249)**	2,454
INVESTING ACTIVITIES		
Interest received	**152**	–
Purchases of property, plant and equipment	**(10,600)**	(2,026)
Advances to related parties	**–**	(1,536)
Repayments from related parties	**1,100**	–
NET CASH USED IN INVESTING ACTIVITIES	**(9,348)**	(3,562)
FINANCING ACTIVITIES		
New bank borrowings raised	**–**	15,000
Repayments of bank borrowings	**–**	(13,057)
Repayments to related parties	**–**	(1,354)
Repayments to non-controlling shareholders of subsidiaries	**–**	(230)
Issue of shares of the Company	**–**	5,000
Acquisition of additional interest of a subsidiary	**(300)**	–
Acquisition of interest of a subsidiary	**(300)**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(600)**	5,359
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(15,197)**	4,251
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**49,225**	4,347
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**34,028**	8,598

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 27 January 2017 and its shares were listed on GEM of the Stock Exchange (the "**Listing**") on 26 February 2018 (the "**Listing Date**"). The addresses of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 13, 8/F, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong. Its immediate holding company is Marvel Jumbo Limited ("**MJL**"), a private limited company incorporated in the British Virgin Islands ("**BVI**") with limited liability. MJL is 31% owned by Ms. Wong Suet Hing ("**Ms. SH Wong**"), 31% owned by Ms. Chow Lai Fan ("**Ms. LF Chow**"), sister-in-law of Ms. SH Wong, 18.7% owned by Ms. Wong Sau Ting Peony ("**Ms. ST Wong**"), daughter of Ms. SH Wong, 15% owned by Ms. Wong Suet Ching ("**Ms. SC Wong**"), sister of Ms. SH Wong, and 4.3% owned by Mr. Ma Sui Hong ("**Mr. SH Ma**"), the son of Ms. Wong Shuet Ying ("**Ms. SY Wong**"), sister of Ms. SH Wong.

The Company is an investment holding company and its subsidiaries are principally engaged in restaurant operations in Hong Kong.

2. BASIS OF PRESENTATION

Before the reorganisation of the Group in preparation for the Listing (the "**Reorganisation**"), all the companies comprising the Group were controlled by Foodies Group Limited ("**FGL**"), Access Gear Investment Limited ("**AGIL**"), Jumbo Spirit Group Limited ("**JSGL**") and Golden Legend Investment Limited ("**GLIL**"). GLIL is a company incorporated in the BVI and not forming part of the Group. FGL, AGIL, JSGL and GLIL were 95.7% owned by (i) Ms. SH Wong; (ii) Ms. ST Wong; (iii) Ms. SC Wong; and (iv) Ms. LF Chow (collectively known as "**Controlling Shareholders**"). They are acting in concert and owned the family business through their interests held in the companies now comprising the Group.

Remaining 4.3% interests of FGL, AGIL, JSGL and GLIL is owned by Ms. SY Wong. From December 2016 to February 2017, Ms. SY Wong transferred her equity interest of these entities to Mr. SH Ma. Both Ms. SY Wong and Mr. SH Ma are considered as non-controlling shareholders of the companies now comprising the Group before the completion of Reorganisation. Pursuant to the Reorganisation, the Company has become the holding company of the companies now comprising the Group on 29 January 2018.

Accordingly, for the purpose of preparing the unaudited condensed consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the six months ended 30 September 2018 presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the unaudited condensed consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

2. BASIS OF PRESENTATION *(Continued)*

The unaudited condensed consolidated financial statements have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA for the six months ended 30 September 2017 and 2018. The unaudited condensed consolidated statements of profit or loss and other comprehensive income, the unaudited condensed consolidated statements of changes in equity and the unaudited condensed consolidated statements of cash flows for the period presented, which include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the period.

This unaudited condensed consolidated financial statements are presented in Hong Kong Dollars ("**HK$**"), which is also the functional currency of the Company.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) The following new amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2018:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The adoption of the above HKFRSs, except for HKFRS 9 and HKFRS 15, did not have any significant financial impacts on the unaudited condensed consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 "Financial Instruments"

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement".

Based on the Group's financial instruments and risk management policies as at 30 September 2018, the Directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the Directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment performed by the Directors of the Company, the application of the expected credit loss model of HKFRS 9 will not have material impact on the opening accumulated profits of the Group at 1 April 2018.

HKFRS 15 "Revenue from Contracts with Customers"

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors of the Company anticipate that the application of HKFRS 15 in the current period may result in more disclosures, however, the Directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in these unaudited condensed financial statements.

4. ESTIMATES

The preparation of interim unaudited condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim unaudited condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received or receivable for goods sold and services rendered by the Group during the period.

Information reported to the management of the Group, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on styles of cuisine serving by the Group's restaurants to the customers.

Specifically, the Group's reportable segments under HKFRS 8 "Operating Segments" are as follows:

1. Chinese cuisine – Operations of Chinese cuisine restaurants under the brand of "Marsino"
2. Western cuisine – Operations of Western cuisine restaurants under the brand of "La Dolce"
3. Thai cuisine – Operations of Thai cuisine restaurants under the brand of "Grand Avenue"
4. Japanese cuisine – Operations of Japanese cuisine restaurants under the brand of "Beefst"
5. Malaysian cuisine – Operations of Malaysian cuisine restaurants under the brand of "HaHa Prawn Mee" and "Baba Nyonya"

No operating segments have been aggregated in arriving at the reportable segments of the Group.

The following is an analysis of the Group's revenue, results, assets and liabilities by operating and reportable segments:

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

Six months ended 30 September 2018

	Chinese cuisine *HK$'000* (Unaudited)	Western cuisine *HK$'000* (Unaudited)	Thai cuisine *HK$'000* (Unaudited)	Japanese cuisine *HK$'000* (Unaudited)	Malaysian cuisine *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue recognised over time	21,882	10,168	33,188	3,764	4,161	73,163
Segment profit (loss)	2,895	778	5,132	(447)	(1,425)	6,933
Other income						268
Finance costs						(219)
Unallocated corporate costs						(10,353)
Loss before tax						(3,371)

Six months ended 30 September 2017

	Chinese cuisine *HK$'000* (Unaudited)	Western cuisine *HK$'000* (Unaudited)	Thai cuisine *HK$'000* (Unaudited)	Japanese cuisine *HK$'000* (Unaudited)	Malaysian cuisine *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue recognised over time	30,394	18,169	23,132	–	–	71,695
Segment profit	5,767	2,633	3,785	–	–	12,185
Other income						355
Listing expenses						(7,572)
Finance costs						(157)
Unallocated corporate costs						(6,303)
Loss before tax						(1,492)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

At 30 September 2018

	Chinese cuisine *HK$'000* (Unaudited)	Western cuisine *HK$'000* (Unaudited)	Thai cuisine *HK$'000* (Unaudited)	Japanese cuisine *HK$'000* (Unaudited)	Malaysian cuisine *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment assets	7,655	2,744	12,494	4,472	10,177	37,542
Unallocated property, plant and equipment						35,718
Intangible asset						280
Deferred tax assets						1,238
Unallocated inventories						629
Unallocated other receivables and prepayments						1,672
Tax recoverable						790
Bank balances and cash						34,028
Consolidated assets						111,897
Segment liabilities	2,611	1,309	3,857	1,720	3,095	12,592
Unallocated trade and other payables and accruals						3,680
Bank borrowings						15,000
Tax payable						1,089
Deferred tax liabilities						752
Consolidated liabilities						33,113

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 March 2018

	Chinese cuisine *HK$'000* (audited)	Western cuisine *HK$'000* (audited)	Thai cuisine *HK$'000* (audited)	Japanese cuisine *HK$'000* (audited)	Malaysian cuisine *HK$'000* (audited)	Total *HK$'000* (audited)
Segment assets	7,505	3,436	13,739	–	–	24,680
Unallocated property, plant and equipment						36,910
Intangible asset						314
Deferred tax assets						1,055
Unallocated inventories						826
Unallocated other receivables and prepayments						1,580
Amount due from related parties						1,100
Tax recoverable						950
Bank balances and cash						49,225
Consolidated assets						116,640
Segment liabilities	2,929	1,621	4,147	–	–	8,697
Unallocated trade and other payables and accruals						7,239
Bank borrowings						15,000
Tax payable						1,663
Deferred tax liabilities						470
Consolidated liabilities						33,069

6. OTHER INCOME

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other income				
Service management income	**–**	114	**–**	228
Promotion income	**33**	42	**62**	83
Bank interest income	**89**	–	**152**	–
Others	**28**	23	**54**	44
	150	179	**268**	355

7. FINANCE COSTS

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interests on bank borrowings	**121**	93	**219**	157

8. (LOSS) PROFIT BEFORE TAX

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss before tax has been arrived at after charging:				
Staff costs (including director's emoluments):				
Salaries and other benefits	**14,477**	11,168	**27,222**	23,044
Contributions to retirement benefit scheme	**657**	482	**1,219**	1,030
Auditor's remuneration	**285**	95	**703**	340
Amortisation of intangible asset (included in other expenses)	**16**	–	**34**	–
Operating lease payments in respect of rented premises:				
– minimum lease payments	**5,638**	4,284	**10,931**	8,550
– contingent rentals *(Note)*	**136**	458	**294**	951

Note: The operating lease rentals for certain restaurants are determinated as the higher of a fixed rental or a predeterminated percentage on revenue of respective restaurants pursuant to the terms and conditions that are set out in the respective rental agreements.

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the six months ended 30 September 2018.

10. DIVIDENDS

The board of Directors (the "**Board**") does not recommend any payment of dividend in respect of the six months ended 30 September 2018 (2017: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. LOSS PER SHARE

The calculation of the basic loss per share (2017: basis loss per share) attributable to owners of the Company is based on the following data:

Losses

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(2,961)**	(520)	**(4,397)**	(3,037)

Number of shares

	30 September 2018	30 September 2017	**30 September 2018**	30 September 2017
	'000	*'000*	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**800,000**	576,781	**800,000**	572,683

The number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the Reorganisation and the capitalisation issue of 599,980,000 ordinary shares of the Company on 26 February 2018 as if it had been effective on 1 April 2016.

No diluted loss per share for the periods was presented as there were no potential ordinary shares in issue during the periods.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and equipment of approximately HK$13.0 million (30 September 2017: HK$2.9 million).

13. INTANGIBLE ASSETS

	Franchise
	HK$'000
At 31 March 2018 (audited)	
Cost	342
Accumulated amortisation	(28)
Net book amount	314
Six months ended 30 September 2018 (unaudited)	
Opening net book amount	314
Additions	–
Amortisation charges	(34)
Net book amount	280
At 30 September 2018 (unaudited)	
Cost	342
Accumulated amortisation and impairment	(62)
Net book amount	280

The above intangible asset represents franchise acquired from third parties with finite useful lives. Such intangible assets is amortised on a straight-line basis over five years according to the terms of the franchise agreement.

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited 30 September 2018	Audited 31 March 2018
	HK$'000	*HK$'000*
Trade receivables from restaurant operations	**729**	953
Rental deposits	**6,289**	5,383
Other deposits	**3,342**	2,885
Prepayments and other receivables	**4,082**	2,380
Total	**14,442**	11,601
Analysed for reporting purposes as:		
Non-current assets	**7,127**	4,938
Current assets	**7,315**	6,663
	14,442	11,601

There was no credit period granted to individual customers for the restaurant operations. The Group's trading terms with its customers are mainly by cash, octopus card and credit card settlement. The settlement terms of octopus card and credit card companies are usually within 7 days after the service rendered date. All trade receivables from restaurant operations are aged within 7 days.

15. TRADE AND OTHER PAYABLES AND ACCRUALS

	Unaudited 30 September 2018 ***HK$'000***	Audited 31 March 2018 *HK$'000*
Trade payables	**3,440**	2,907
Salaries payables	**5,474**	4,513
Payable for acquisition of property, plant and equipment	**1,809**	48
Accruals and other payables	**3,141**	2,981
Accrued listing expenses/shares issue cost	**16**	3,707
	13,880	14,156

The credit period granted to the Group by suppliers normally ranges from 0 to 30 days. All trade payables are aged within 30 days at the end of the reporting period.

16. BANK BORROWINGS

	Unaudited 30 September 2018 ***HK$'000***	Audited 31 March 2018 *HK$'000*
Carrying amount that does not contain repayment on demand clause repayable based on scheduled repayment terms:		
– More than one year but not exceeding five years	**15,000**	15,000

The bank borrowings are at floating rate which carry interest at HK$ Best Lending Rate minus a spread.

The effective interest rate on the Group's bank borrowings was 2.92% (31 March 2018: 2.17%) per annum as at 30 September 2018.

At 30 September 2018, bank borrowings of HK$15,000,000 were secured by leasehold land and building owned by the Group with the carrying amount of HK$33,400,000 and corporate guarantee provided by the group companies.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE CAPITAL

	Number of shares	Share Capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 27 January 2017 (date of incorporation) and 31 March 2017 *(Note (a))*	38,000,000	380
Share subdivision *(Note (e))*	3,762,000,000	–
Share consolidation *(Note (f))*	(3,762,000,000)	–
Increased on 29 January 2018 *(Note (b))*	1,962,000,000	19,620
At 31 March 2018 and 30 September 2018	2,000,000,000	20,000
Issued and fully paid:		
At 27 January 2017 (date of incorporation) *(Note (a))*	1	–
Issue of shares on 15 March 2017 *(Note (c))*	8,999	–
Issue of shares on 21 March 2017 *(Note (d))*	750	–
At 31 March 2017	9,750	–
Issue of shares on 21 April 2017 *(Note (d))*	1,250	–
Share subdivision *(Note (e))*	1,089,000	–
Share consolidation *(Note (f))*	(1,089,000)	–
Issue of shares on 29 January 2018 *(Note (g))*	9,000	–
Issue of shares pursuant to the capitalisation issue *(Note (h))*	599,980,000	6,000
Issue of shares under the share offer *(Note (i))*	200,000,000	2,000
At 31 March 2018 and 30 September 2018	800,000,000	8,000

Notes:

(a) The Company was incorporated on 27 January 2017 in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

(b) On 29 January 2018, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares to HK$20,000,000 divided into 2,000,000,000 shares by the creation of 1,962,000,000 additional ordinary shares.

(c) On 15 March 2017, 8,612 and 387 shares of the Company were alloted and issued to the Controlling Shareholders and Mr. SH Ma, respectively.

(d) On 21 March 2017 and 21 April 2017, 750 shares and 1,250 shares of the Company were alloted and issued at cash consideration of HK$3,000,000 and HK$5,000,000 to the Pre-IPO Investor.

17. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(e) Pursuant to the written resolutions of shareholders of the Company passed on 13 July 2017, each issued and unissued share of HK$0.01 each was subdivided into 100 shares of HK$0.0001 each such that the authorised share capital as at 13 July 2017 was HK$380,000 divided into 3,800,000,000 shares of HK$0.0001 each, in which 1,100,000 shares of HK$0.0001 each were in issue.

(f) Pursuant to the written resolutions of shareholders of the Company passed on 25 July 2017, every 100 issued and unissued shares of the Company of HK$0.0001 each were consolidated into one share of HK$0.01 each such that the authorised share capital as at 25 July 2017 was HK$380,000 divided into 38,000,000 shares of HK$0.01 each, in which 11,000 shares of HK$0.01 each were in issue.

(g) On 29 January 2018, 9,000 shares of the Company were issued to the Controlling Shareholders and Mr. SH Ma to acquire the entire equity interests in FGL.

(h) On 26 February 2018, the Company capitalised the amount of HK$5,999,800 standing to the credit of the share premium account of the Company and applied the amount towards paying up in full at par 599,980,000 shares for allotment and issue to the shareholders.

(i) On 26 February 2018, the Company issued 200,000,000 shares of HK$0.01 each at HK$0.275 per share upon the completion of its share offer. On the same date, the Company's shares were listed on GEM of the Stock Exchange.

All ordinary shares issued rank pari passu with the existing issued shares in all aspects.

18. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Unaudited 30 September 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
Within one year	**18,620**	16,090
In the second to fifth year inclusive	**16,928**	7,238
After five years	**1,283**	–
	36,831	23,328

The above operating lease payments represent rental payable by the Group for restaurants.

Leases are negotiated and rentals are for terms of three to six years. Certain leases include contingent rentals calculated with reference to turnover of the restaurants plus monthly fixed rental. Other leases are fixed for terms of three to six years.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Food and beverage industry has its own unique characteristics and generally speaking it is a high churn industry characterised by high staff turnover. Due to low barriers to entry, many restaurant operators enter and exit the market from time to time. Each new player brings with their new food concepts and processes. Some were imported overseas in the form of franchises, some were adapted from overseas concepts and some were developed locally. This helps to bring vibrancy to the industry. In the meantime, we are also facing fierce competition from rising food costs, rental expenses and utilities expenses. Labour shortage is always one of the challenges we are facing with and we believe this situation will continue in near future.

In order for a company to grow, maximizing its strength and overcoming its weaknesses is critical. To remain competitive, it is necessary to provide good quality products and services efficiently and at an affordable price. Cost control is therefore critical to the success of the business. On the other hand, customers are more budget conscious and higher demand of the food varieties. The life span of products/services and concepts are getting shorter and thus there is a need to continuously develop new concepts to meet changing demand. The Group believes that innovation is a key element in our business model and we have to keep polishing our brands to increase revenue growth.

BUSINESS OVERVIEW

We are a casual dining full service restaurant operator under 6 brands, namely "Marsino", "La Dolce", "Grand Avenue", "Beefst", "HaHa Prawn Mee" and "Baba Nyonya". "Marsino" is a Chinese noodle specialist, "La Dolce" offers western cuisine, "Grand Avenue" offers Thai cuisine, "Beefst" offers Japanese ramen while "HaHa Prawn Mee" and "Baba Nyonya" offers Malaysian cuisine. Each of "Marsino", "La Dolce", "Grand Avenue", "HaHa Prawn Mee" and "Baba Nyonya" are founded and operated by our Group, while "Beefst" is a franchise brand and we obtained the franchise right from the franchisor in Japan in November 2017.

As at the date of this report, we operated 4 "Marsino" restaurants, 2 "La Dolce" restaurants, 4 "Grand Avenue" restaurants, 2 "Beefst" restaurants, 2 "HaHa Prawn Mee" restaurants and 1 "Baba Nyonya" restaurant and all of our restaurants are situated across Kowloon and the New Territories in Hong Kong.

"Marsino" had recorded revenue of approximately HK$21.9 million during the six months ended 30 September 2018, which is equivalent to 29.9% of our total revenue. As compared to the last corresponding period, "Marsino" has experienced a decrease in revenue by 28.0%.

"La Dolce" had recorded revenue of approximately HK$10.2 million during the six months ended 30 September 2018, which is equivalent to 13.9% of our total revenue. As compared to the last corresponding period, "La Dolce" has experienced a decrease in revenue by 44.0%.

"Grand Avenue" had recorded revenue of approximately HK$33.2 million during the six months ended 30 September 2018, which is equivalent to 45.4% of our total revenue. As compared to the last corresponding period, "Grand Avenue" has experienced an increase in revenue by 43.5%.

"Beefst" had recorded revenue of approximately HK$3.8 million during the six months ended 30 September 2018, which is equivalent to 5.1% of our total revenue. As "Beefst" was newly started in May 2018, there was no corresponding period in 2017.

"HaHa Prawn Mee" had recorded revenue of approximately HK$3.5 million during the six months ended 30 September 2018, which is equivalent to 4.9% of our total revenue. As "HaHa Prawn Mee" was newly started in May 2018, there was no corresponding period in 2018.

"Baba Nyonya" had recorded revenue of approximately HK$0.6 million during the six months ended 30 September 2018, which is equivalent to 0.8% of our total revenue. As "Baba Nyonya" was newly started in August 2018, there was no corresponding period in 2018.

In addition to the above restaurants, our group also owns and operates a central kitchen which supplies raw materials and consumables to our restaurants. We established our central kitchen as early as in 2007, and then we moved to the existing premises due to expansion. Our management believes that our central kitchen can continuously improve the efficiency of our operation.

FUTURE PROSPECTS

The food and beverage sector is characterised by low entry barrier, high risk, high business cost primarily in rental, labour and materials and churn of concepts. Our success is heavily dependent on the food quality, cost of operating restaurants and economic conditions of Hong Kong.

Our Group's key risk exposures and uncertainties are summarised as follows:

1) As we lease all of the properties for our restaurant operations, our operating lease obligations expose us to potential risks, such as increasing our vulnerability to adverse economic conditions, as we may not be able to terminate such leases even if we are operating at a loss. As a result, our financial condition and results of operations may be adversely affected.

2) We require various approvals and licences to operate our business, and the loss of, or failure to, obtain or renew any or all of these approvals and licences, could materially and adversely affect our business.

3) Labour shortages or increases in labour costs will increase our Group's operating costs and reduce our profitability. Furthermore, minimum wage requirements in Hong Kong may further increase and impact our staff costs in the future.

4) If there are any adverse incidents associated with the quality of our food and services provided or if our hygiene standards do not meet the relevant statutory requirements, our restaurant business could be adversely affected.

5) The availability of raw materials and consumables, such as the type, variety and quality, and their prices, can fluctuate and be volatile and are subject to factors beyond our control, including seasonal fluctuations, climate conditions, natural disasters, general economic conditions, global demand, governmental regulations, exchange rates and availability, each of which may affect our cost of food and beverages or cause a disruption in our supply.

For further details on the risks and uncertainties faced by our Group, please refer to the section headed "Risk Factors" of the prospectus of the Company dated 6 February 2018 (the "**Prospectus**").

In order to manage the Group's risks and to improve the overall business of the Group, we will focus on the following business strategies:

1. Expand the network of our existing brands – We have signed a new tenancy agreement with the landlord and secured a location in a shopping mall at Chai Wan and expecting to open a new rebranded "Marsino" in November 2018. In addition to that, we have received various tenancy offers from different landlords from time to time and we will make an assessment on each location to determine whether we should take the offers. We believe that by leveraging our core competencies to further expand the network of our existing brands which could generate additional profits to us with relatively lower risk taken as compared to the risk of developing a new brand.

2. Rebranding – To give a refreshing perception to the customers and articulating our differentiation against competitors, it is necessary to rebrand our existing brands by providing new looks, new logos and new concepts to them. Rebranding can rejuvenate our brands so that it can appeal to younger customers. As people tends to like new concepts and new styles, rebranding not only can retain our existing customers (because most of our popular items will remain in our food menu) but also can attract more new customers as we will introduce a variety of new food and drink items in our food menu. The first rebranded "Marsino" is expected to open in Chai Wan in November 2018 and we will continue to explore opportunities to pursue for this rebranding strategy.

3. Develop new brand – The Group believes that by adopting multi-brand strategy could broaden our customer base. Diversifying our branding strategy could seduce different customers who have different preferences on the cuisine. The Group has successfully launched two new brands, namely "HaHa Prawn Mee" and "Baba Nyonya" in May 2018 and August 2018 respectively. Both are serving Malaysian cuisine but the price ranges are varied, the former one has a higher price range and serving more expensive food ingredients such as lobsters and crabs, whereas the latter one has a lower price range without serving pricy food ingredients.

4. Expand our franchise brand – "Beefst" is a franchise brand and we obtained the franchise right from the franchisor in Japan since November 2017. Since then our group has opened two "Beefst" restaurants at Ma On Shan in May 2018 and at Mongkok in July 2018 respectively. And we are looking for suitable locations to open a few more "Beefst" restaurants in the future. "Beefst" is specialising roast beef oiled ramen noodles which is quite different from the traditional Japanese soup noodles which already has lots of competition in Hong Kong so that we believe "Beefst" has potential business growth given that not too many similar competitors exist in the market now.

5. A new HR system has been put in place recently and we are now performing the system test. Once our Group is satisfied with the test results then the system will go live. This HR system comes with a feature to allow the end users to use their mobile phones to apply different types of leave and their supervisors can instantly approve or reject the leave applications through this mobile app. By adopting this new HR system, we could shorten the approval duration for leave application and reduce the volume of the paperwork to save the leave application records. We believe that this new HR system could help HR employees to improve their productivity and the results of their efforts.

6. Implement ERP system – We are sourcing new ERP system which will integrate finance, sales, procurement and inventory management functions. We expect this new ERP system can provide a mobile application which allow users to access to information regardless of where they are. Our restaurant staffs can use this mobile ERP to place purchase orders to our procurement team and then they will consolidate all purchase orders and issue them to the suppliers. The data entered into ERP system will be stored in our server permanently so that other users could access to it and they can also generate different types of report that they want it.

7. Developing a CRM system – we believe a good CRM system could help us to manage customer information, improve customer relationships, monitor their customer behaviour such as spending patterns and eating habits, facilitate online ordering, manage customer feedback and surveys and etc. By leveraging on the CRM database, it is easier to do upselling, run loyalty program, email marketing and social media marketing.

8. Expand our central kitchen to increase our storage facilities and house new food processing equipment and fixtures to enhance the processing capacity of semi-processed food products supplied to our restaurants as we believe that our central kitchen at its current scale would not be able to support our planned new restaurants.

Our ongoing expansion and enhancement plans will improve our market share while we will continue to refine our business strategy to cope with the continuing challenges. We will also proactively seek potential business opportunities that will broaden our sources of revenue and enhance value to the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2018, the Group recorded revenue of approximately HK$73.2 million (six months ended 30 September 2017: approximately HK$71.7 million), representing an increase 2.0% compared with the same period of the previous financial year. The increase in revenue was primarily attributed to the commencement of the businesses of five new restaurants, in which two of them were opened at Ma On Shan ("Beefst", "HaHa Prawn Mee"), and the other three were opened at Mongkok ("Beefst", "HaHa Prawn Mee" and "Baba Nyonya").

Raw materials and consumables used

The raw materials and consumables used mainly represents the costs of food ingredients and beverages for the operation of the Group's restaurants and central kitchen. The major food ingredients purchased by the Group include, but are not limited to, meat, seafood, frozen food, vegetables and beverages. Raw materials and consumables used is one of the major components of the Group's operating expenses which amounted to approximately HK$19.3 million and HK$20.8 million for each of the six months ended 30 September 2017 and 2018, respectively, representing approximately 26.9% and 28.4% of the Group's total revenue for the corresponding periods. Such increase was mainly due to the increase in the cost of food ingredients as well as we need to reserve more food ingredients for the preparation of the opening of our five new restaurants. To reduce the food cost, we will continue to monitor and control our food cost and will implement key measures to control the food preparation process in order to reduce the material loss. In addition, the continued use of the Group's central kitchen will help to reduce the cost associated with food processing.

Staff costs

Staff costs was approximately HK$28.4 million for the six months ended 30 September 2018, representing an increase of approximately 18.1% as compared to approximately HK$24.1 million for the six months ended 30 September 2017. Such increase was mainly due to increase in headcount to cope with opening of new restaurants during the period.

Other expenses

The Group's other expenses increased by approximately 70.0% from approximately HK$3.5 million for the six months ended 30 September 2017 to approximately HK$5.9 million for the six months ended 30 September 2018. Such increase was mainly due to the increase in legal and professional fees incurred after the Listing for the services of compliance adviser and share registrars, fees to expand the storage capacity of the central kitchen, audit fees, royalty expenses paid to the franchisor in Japan for using their franchise right to operate "Beefst" restaurants in Hong Kong and other operating expenses associated with the opening of the five new restaurants during the period.

Listing expenses

There was no listing expense incurred during the period as compared to approximately HK$7.6 million for the six months ended 30 September 2017.

Loss attributable to owners of the Company

For the six months ended 30 September 2018, the Group recorded a loss attributable to owners of the Company of approximately HK$4.4 million, as compared to loss of approximately HK$3.0 million for the six months ended 30 September 2017. The loss for the six months ended 30 September 2018 was mainly attributable to the increase in food costs, staff costs, rental and related expenses and other operating expenses.

Dividend

The Board does not recommend any payment of dividend for the six months ended 30 September 2018 (2017: Nil).

COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business plan as set out in the Prospectus with the Group's actual business progress for the period from 26 February 2018 (being the Listing Date) to 30 September 2018 is set out below:

Business strategies as stated in the Prospectus	Implementation plan up to 30 September 2018 as stated in the Prospectus	Actual business progress up to the date of this report
Expansion of restaurant network	– Opening of one new Grand Avenue restaurant	– We are looking for a suitable location
	– Opening of two new Japanese ramen restaurants	– Two Japanese ramen restaurants under the brand name "Beefst" were opened at Ma On Shan in May 2018 and at Mongkok in July 2018
Expanding the capacity of our central kitchen to support our business expansion plans	– Expanding our central kitchen storage facilities	– We have partially expanded the central kitchen by purchasing new equipment and renting additional spaces for storage facilities
Upgrading our computer system	– Integrating our existing POS systems, installing a new human resources management system and purchasing new computer accessories, software and necessary licences	– Integration of POS systems and installation of a new human resources management system is in the process. We have also purchased some new computer accessories, software and necessary licences
Implementing marketing and promotional initiatives	– For continuous promotional and branding activities	– Certain marketing and promotional activities have been implemented including social media marketing to introduce our new restaurants and new dishes through various media channels, as well as the design on the new logo, cutlery and packaging materials to promote the rebranding of "Marsino"

USE OF PROCEEDS FROM THE IPO

A total of 200,000,000 new shares with nominal value of HK$0.01 each of the Company were issued at HK$0.275 per share for a total of approximately HK$55.0 million (the "**IPO**"). The net proceeds raised by the Company from the IPO were approximately HK$32.6 million (the "**IPO Proceeds**") and the use of IPO Proceeds from the Listing Date to 30 September 2018 is set forth below:

	Planned use of IPO Proceeds up to 30 September 2018 *HK$'000*	Utilised IPO Proceeds up to 30 September 2018 *HK$'000*	Unutilised IPO Proceeds up to 30 September 2018 *HK$'000*
Opening of one new Grand Avenue restaurant	4,400	–	4,400
Opening of two new Japanese ramen restaurants	8,750	8,750	–
Expanding central kitchen storage facilities	3,500	879	2,621
Upgrading computer system	1,300	872	428
Implement marketing and promotional activities	500	314	186
General working capital	500	500	–
	18,950	11,315	7,635

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.

As at 30 September 2018, approximately HK$11.3 million out of the net proceeds from the Listing had been used. The unused net proceeds were deposited in licenced banks in Hong Kong.

It was expected that the Group would use approximately HK$4.4 million of the net proceeds to open a new Grand Avenue restaurant during the period. Although the Group had made attempts to identify suitable locations, but unfortunately it could not find any appropriate locations where we think fit.

The Group intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly evaluate the Group's business objectives and may change or modify the Group's plans against the changing market condition to attain sustainable business growth of the Group.

CAPITAL STRUCTURE

There is no change in capital structure of the Group from 31 March 2018 to 30 September 2018.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 September 2018, current assets amounted to approximately HK$43.2 million (as at 31 March 2018: approximately HK$59.1 million), of which approximately HK$34.0 million (as at 31 March 2018: approximately HK$49.2 million) was bank balances and cash, approximately HK$7.3 million (as at 31 March 2018: approximately HK$6.7 million) was trade and other receivables, deposits and prepayments. The decrease in bank balances and cash was mainly due to the investment costs on opening the new restaurants. The Group's current liabilities amounted to approximately HK$15.6 million (as at 31 March 2018: approximately HK$16.5 million) which primarily consisted of trade and other payables and accrued charges in the amount of approximately HK$13.9 million (as at 31 March 2018: approximately HK$14.2 million). Current ratio (calculated based on the total current assets divided by total current liabilities) and quick ratio (calculated based on the total current assets less inventories divided by total current liabilities) were 2.8 and 2.7 respectively (as at 31 March 2018: 3.6 and 3.5 respectively). Gearing ratio is calculated based on the borrowings representing the sum of interest-bearing bank borrowings and amounts due to related parties and non-controlling shareholders of subsidiaries which are non-trade nature divided by total equity at the end of the year and multiplied by 100%. Gearing ratio was 19.0% (as at 31 March 2018: 17.9%).

FOREIGN CURRENCY EXPOSURE

Significant transactions of the Group are denominated in Hong Kong dollars and the Group is not exposed to significant foreign exchange exposure.

CAPITAL COMMITMENTS

As at 30 September 2018, the Group's outstanding capital commitments were approximately HK$1.8 million which were mainly made up of contracted/authorised commitments in respect of the acquisition of fixed assets raised from the newly opened restaurants during the period.

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any material contingent liabilities.

BORROWING

As at 30 September 2018, the total borrowing of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK$15.0 million (31 March 2018: approximately HK$15.0 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

CHARGE ON GROUP ASSETS

At 30 September 2018, bank borrowings of HK$15,000,000 were secured by leasehold land and building owned by the Group with the carrying amount of approximately HK$33,400,000.

At 31 March 2018, bank borrowings of HK$15,000,000 were secured by the leasehold land and building owned by the Group with the carrying amount of approximately HK$34,285,000.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the six months ended 30 September 2018. There is no other plan for material investments or capital assets as at 30 September 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group had 246 full-time and 122 part-time employees (as at 31 March 2018: 254 full-time and 186 part-time employees). Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2018 and up to the date of this report, there has been no purchase, sale or redemption of any Company's listed securities by the Company or any of its subsidiaries.

INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the date of this report, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the ordinary shares of the Company

Name of Directors	Capacity/nature of interest	Number of shares held	Approximate percentage of shareholding
Ms. SH Wong	interest in controlled corporation *(Note 1)*	540,000,000	20.9%
Ms. ST Wong	interest in controlled corporation *(Note 2)*	540,000,000	12.6%
Mr. Wong Muk Fai Woody ("**Mr. MF Wong**")	interest of spouse *(Note 3)*	540,000,000	20.9%
Mr. SH Ma	interest in controlled corporation *(Note 4)*	540,000,000	2.9%

Notes:

1. Ms. SH Wong beneficially owns 31% equity interest in MJL. Therefore, Ms. SH Wong is deemed to be interested in 540,000,000 shares held by MJL.

2. Ms. ST Wong beneficially owns 18.7% equity interest in MJL. Therefore, Ms. ST Wong is deemed to be interested in 540,000,000 shares held by MJL.

3. Mr. MF Wong is the spouse of Ms. LF Chow, who beneficially owns 31% equity interest in MJL. Therefore, Mr. MF Wong is deemed to be interested in 540,000,000 shares held by MJL.

4. Mr. SH Ma beneficially owns 4.3% equity interest in MJL. Therefore, Ms. SH Ma is deemed to be interested in 540,000,000 shares held by MJL.

Save as disclosed above, as at 30 September 2018, none of the Directors had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2018, so far as it is known to the Directors, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which was required pursuant to Section 336 of the SFO to be recorded in the register of the Company or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

OTHER INFORMATION

Long positions in the ordinary shares of the Company

Name of Shareholder	Nature of interest	Number of Shares *(Note 1)*	Approximately percentage of shareholding
MJL	Beneficial interest *(Note 1)*	540,000,000	67.50%
Charm Dragon Investments Limited	Beneficial interest	60,000,000	7.50%
Mr. Cheung Wai Yin Wilson	Interest in controlled corporation *(Note 2)*	60,000,000	7.50%
Ms. Lam Ka Wai	Interest of spouse *(Note 2)*	60,000,000	7.50%

Notes:

(1) MJL is owned as to (i) 31.0% by Ms. SH Wong; (ii) 31.0% by Ms. LF Chow; (iii) 18.7% by Ms. ST Wong; (iv) 15.0% by Ms. SC Wong; and (v) 4.3% by Mr. SH Ma.

(2) Charm Dragon Investments Limited is 100% owned by Mr. Cheung Wai Yin Wilson, as such, he is deemed under the SFO to be interested in all the shares in which Charm Dragon Investments Limited is interested. By virtue of being the spouse of Mr. Cheung Wai Yin Wilson, Ms. Lam Ka Wai is deemed to be interested in all the shares in which Mr. Cheung Wai Yin Wilson is interested pursuant to SFO.

Save as disclosed above, as at 30 September 2018, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors of the Company) in the shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director or a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the six months ended 30 September 2018, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Vinco Capital Limited ("**Vinco Capital**") to be the compliance adviser. As informed by Vinco Capital, neither Vinco Capital nor any of its directors or employees or associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Vinco Capital dated 5 February 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiries to all the Directors and all the Directors had confirmed they have complied with the required standard of dealings and the code of conduct for directors' securities transactions during the six months ended 30 September 2018.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is for our Group to attract, retain and motivate talented participants to strive for future developments and expansion of our Group. The Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of our Group and allow the participants to enjoy the results of our Company attained through their efforts and contributions.

OTHER INFORMATION

Further details of the Share Option Scheme are set out in the section headed "Statutory and General Information – D. Other Information – 1. Share Option Scheme" in Appendix V of the Prospectus.

For the six months ended 30 September 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance by emphasizing transparency, accountability, fairness and responsibility. The Company has adopted the Corporate Governance Code (the "**Code**") as set out in Appendix 15 of the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the Code during the six months ended 30 September 2018 and up to the date of this report.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") on 29 January 2018 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are mainly to:

- Make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor

- Review the adequacy of the Group's policies and systems regarding risk management and internal controls

- Review the financial reporting principles and practices applied by the Group in preparing its financial statements

- Before audit commencement, review external auditor's independence, objectivity, effectiveness of the audit process and the scope of the external audit, including the engagement letter

- Monitor integrity of the Group's financial statements and the annual, quarterly and interim financial reports, and review significant financial reporting judgements contained in them prior to approval by the Board

  Currently, the Audit Committee comprises three independent non-executive Directors as follows:

  Ms. Ng Yau Kuen Carmen *(Chairlady)*

  Mr. Yu Ronald Patrick Lup Man

  Mrs. Cheung Lau Lai Yin Becky

The Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2018 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2018 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

By Order of the Board
SIMPLICITY HOLDING LIMITED
Wong Suet Hing
Chairlady and Executive Director

Hong Kong, 9 November 2018

As at the date of this report, the Board comprises Ms. Wong Suet Hing, Ms. Wong Sau Ting Peony, Mr. Wong Muk Fai Woody, Mr. Ma Sui Hong and Mr. Wong Chi Chiu Henry as executive Directors; and Ms. Ng Yau Kuen Carmen, Mrs. Cheung Lau Lai Yin Becky and Mr. Yu Ronald Patrick Lup Man as independent non-executive Directors.